

# M e m o r a n d u m

To: Panel Members Date: August 27, 2004

From: Dolores Kendrick, Manager Analyst: N. Weingart

Subject: ONE-STEP AGREEMENT FOR **SONY PICTURES ENTERTAINMENT  
INCORPORATED**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition  
And Set Workers Earning At Least The State  
Average Hourly Minimum Wage
- Legislative Priorities: Moving To A High Performance Workplace  
Promotion Of California's Manufacturing Workforce,  
And Expansion Within California
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - *Worldwide:* 162,000
  - *In California:* 5,700
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$2,141,750
- Substantial Contribution: \$0
- Total ETP Funding: \$2,141,750
- Total In-kind Contribution: \$2,482,200
  - *Trainee Wages Paid During Training:* \$2,382,200
  - *Other Contributions:* \$100,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles

### **INTRODUCTION:**

Sony Pictures Entertainment, Incorporated (SPE), produces and distributes motion picture and television programming and is eligible for standard ETP funding as a manufacturing company facing out-of-state competition under Title 22, California Code of Regulations, Section 4416(a)(3) and (4). The Company will also train under Title 22, California Code of Regulations, Section 4409(a), Special Employment Training (SET), targeted to frontline workers who earn at least the state average hourly wage, for trainees who are not subject to the eligibility provision of Section 10201(c) of the Unemployment Insurance Code. Training is proposed to assist the employer in becoming a high performance workplace.

### **MEETING ETP GOALS AND OBJECTIVES:**

Sony Pictures Entertainment proposes training that will further the following ETP goals and objectives:

- 1) Foster retention of high wage, high skilled jobs in manufacturing that are threatened by out-of-state competition in the highly competitive entertainment, multi-media industry.
- 2) Target the development frontline worker skills.
- 3) Encourage investment in human resources development that promotes California industry through productivity and product quality enhancements.
- 4) Supplement, rather than displace, funds available through existing programs.
- 5) Facilitate the Company's move to a high performance workplace.
- 6) Enable the Company to grow and expand its California operations.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Retrainees Job 1	Business Skills Computer Skills Continuous Improvement Manufacturing Skills	1,650	24-200	1-18	\$1,209 average	*\$12.17-\$39.47
SET Frontline High Wage Retrainees Job 2	Business Skills Computer Skills Continuous Improvement Manufacturing Skills	100	24-200	1-18	\$1,469 average	*\$20.29-\$26.30
					<b><u>Prevalent Hourly Wage</u></b> \$18.01	
					<b><u>Average Cost Per Trainee</u></b> \$1,224	
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b> *Health benefits of at least \$2.35 per hour will be applied to the base wage to meet the standard ETP minimum hourly wage of \$12.17 for Los Angeles County and the statewide SET frontline wage of \$20.29 per hour.					<b><u>Turnover Rate</u></b> 10%	<b><u>% of Managers &amp; Supervisors To Be Trained:</u></b> 17%
<b><u>Other Employee Benefits:</u></b> Other employer-provided benefits include: 401K savings plan, tuition assistance, vacation, sick leave, an employee assistance program, and a stock purchase plan.						

## **COMMENTS / ISSUES:**

### ***Frontline Worker***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee), except for 300 Managers and Supervisors. Supervisors produce product and help employees follow operating procedures.

### ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

### ***Repeat Contractors***

The Sony Pictures Entertainment facilities in Culver City are located at three separate addresses on Venice Boulevard, West Washington Boulevard, and Corporate Pointe. ETP training will take place for employees from all three locations. This will be the first ETP Agreement with SPE. As such, the Contractor will not be subject to the substantial contribution provisions of Title 22, California Code of Regulations, Section 4410.

The Agreement cited below under **Prior Projects** was done with Sony Pictures Imageworks. The Contractor reports that this entity has the same California Employer Account Number as SPE and is located at the West Washington address, but is a separate corporation whose employees will not participate in the new ETP Agreement.

## **PROPOSED ACTION:**

Staff recommends that the Panel approve the One-Step Agreement, if funding is available and the project meets the Panel priorities. This recommendation is based on Sony's stated need to provide its employees with new skills to remain competitive, to grow, and to ensure a continuing relationship with its customers.

## **NARRATIVE:**

SPE, headquartered in Culver City, is a wholly-owned subsidiary of Sony Corporation of America. With over 5,700 employees statewide (5,000 in Culver City at three locations), SPE produces and distributes motion picture and television programming; provides post-production activities; acquires and distributes home entertainment products (VHS and DVD); develops entertainment products and services for broadband distribution; manages television channel investments; markets entertainment products and licensed merchandise for consumers; and operates studio facilities. SPE was founded in 1989 and includes Columbia TriStar Motion Picture Group, Columbia TriStar Home Entertainment, Sony Pictures Television, and Sony Pictures Digital Entertainment. Revenues for 2003 were \$6.7 billion.

Companies in the entertainment industry face continually increasing worldwide competition. Both the pressures of competition and customer requests are dictating the need for internal changes that must be instituted so that Sony can maintain a viable position in the industry. One of the most significant changes in the way Sony does business involves the switch from analog to digital media, which influences every Company operation

**NARRATIVE: (continued)**

downstream from actual film production. Changes will occur in production oversight and administration; in products and product distribution; in marketing; in the way information is moved around internally and externally; and in interaction with vendors and processors like Technicolor and Blockbuster. To keep up with both technology and competition, the Company is introducing several changes that will affect almost every department and employee.

Sony reports that it is investing over \$81 million to implement a new, proprietary, enterprise-wide, computer system called STAR, which will replace 75 existing systems. This will impact finance, human resources, procurement, time tracking, and attendance personnel, as well as production and technical jobs. Second, the Company is instituting a continuous improvement program to reduce waste and improve work processes in all areas. In conjunction with this, it proposes to hone the proficiency of production workers with manufacturing skills training. Finally, Sony has determined that improved business skills (especially employee and customer communications, and enhanced product knowledge), will increase productivity, generate better time utilization, and eliminate errors. To facilitate all of these changes, Sony has developed and will deliver the following programs:

**Computer Skills** training will include new STAR applications (SAP - Systems, Applications, and Programs - Workbrain, and Ariba); new hardware and software technologies; intermediate and advanced Microsoft applications; Web-based products; computer support programs; and various human resources, financial, procurement, and supplier management modules.

**Continuous Improvement** is comprised of team building and lean enterprise activities, problem solving, and cost computations and benefits analysis.

**Manufacturing Skills** will cover operating digital equipment and tools, conversion from analog to digital technology, solving production problems, reading work orders and operating procedures, customer satisfaction, and waste management.

**Business Skills** includes customer relations and management, communication skills, and marketing, pricing, and product knowledge.

The majority of trainees will be frontline workers in administration, customer service, production, sales, computer support and technical staff, engineering, direction (art director, project director, et. al.), and management and supervision. Approximately 100 trainees will fall into the SET frontline high wage category as Sony expects to include some of its newer staff recently out of school or from out-of-state without the requisite 90-day employment prior to the start of training. As a result of the internal improvements generated by this training program, Sony hopes not only to improve its competitive position, but also to expand and grow the Company.

***Supplemental Nature of Training***

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

Sony currently provides Company orientation, safety training, basic Microsoft applications, and basic computer training relative to its current MRP (manufacturing resource planning) system.

**NARRATIVE:** (continued)

It also provides basic manufacturing skills instruction via one-on-one, on-the-job shadowing. All training is currently done on an as needed basis.

Through the ETP program, Sony will provide Company-wide, structured training in new material, much of which is proprietary in nature. Training on the new computer system will be given for the first time. Other computer, business, and production skills will either be delivered for the first time and/or will be given at intermediate and advanced skill levels. The Contractor reports that absent ETP funding, Sony would be unable to provide such an in-depth, comprehensive training program to such a large audience, and deliver follow up, structured, on-site reinforcement training at its own expense during the same time period.

Post ETP, Sony plans to deliver additional computer, teambuilding, supervisory and customer support skills training.

**SUBCONTRACTORS:**

National Training Company, Inc., Irvine, California (\$269,700 for project administration)

**THIRD PARTY SERVICES:**

National Training Company, Inc., performed a needs analysis, reviewed curriculum, and completed the application for ETP funds. The amount reimbursed for services was \$5,000, which the applicant states is based on a flat rate.

**PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with Sony within the last five years:

PRIOR PROJECTS					
Agreement Number	Location (City)	Term	% Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET7-0324	Culver City	6/30/1997 – 6/29/1999	38%	*N/A	*N/A

\*Data on the in-kind contribution was not collected during this time period.

Sony Imageworks' goal was to retrain 271 workers. The Company enrolled 163 individuals and was ultimately reimbursed for 89 trainees who completed the 90-day retention period. The Contractor's representative reports that although more people actually completed, recordkeeping (especially for structured, on-site hours) was not done properly and did not substantiate part of the training. Additionally, the Company misjudged the number of hours required for some trainees, which resulted in shorter programs than specified in the Agreement.

Sony will be using the ETP variable reimbursement chart in the new Agreement, allowing it to get paid for the actual number of hours each trainee completes. The Company has also contracted with an outside administrator with several years of ETP experience. Finally, Sony's senior management is heavily involved in the proposed Agreement and has committed the Company to a successful project.

**Sony Pictures Entertainment Inc.**

CURRICULUM

**Class/Lab Hours**

24-200

Trainees will receive any of the following:

**COMPUTER SKILLS**

STAR Applications

- SAP (Systems, Applications and Programs)
- Workbrain
- Ariba

Computer Networking

Technology Skills

- Hardware, Interfaces, Wireless

Laptop techniques

Wireless Modem Techniques

MS Office

- Intermediate and Advanced Applications

Project Management

Financial Planning and Budgeting

Procurement

Human Resources Applications

Time Tracking Applications

Attendance Applications

Supplier Management

Advanced Internet Systems

Web-based Products

Computer Support Programs

**CONTINUOUS IMPROVEMENT SKILLS**

Process Improvement

Problem Solving

Operating Procedures

Team Roles and Responsibilities

Teambuilding

Team Communication

Resolving Team Conflict

Lean Enterprise

Cost Computation

Benefit Analysis

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CURRICULUM (continued):

**MANUFACTURING SKILLS**

Production Policies and Operating Procedures  
Operating Digital Production Equipment  
Using Digital Production Tools  
Reading Work Orders  
Resolving Specific Production Problems  
Processing and Tracking Work Orders  
Waste Management  
Customer Satisfaction  
Analog to Digital Conversion

**BUSINESS SKILLS**

Customer Relationship Management  
Dealing with Difficult Customers  
FIRST (Putting the Customer First)

- Win/Win Situations

Meeting Customer Needs  
Interpersonal Communication  
Handling Conflict  
Communicating Change  
Marketing Solutions  
Pricing  
Product Knowledge

**CBT Hours**

1-18

Trainees will receive any of the following:

**COMPUTER SKILLS**

STAR Applications  
SAP (Systems, Applications and Programs)  
Workbrain  
Ariba  
Computer Networking  
Technology Skills  
MS Office Applications  
Project Management  
Financial Planning and Budgeting  
Human Resources Applications  
Advanced Internet Systems



**Sony Pictures Entertainment Inc.**  
CURRICULUM (continued):

**CONTINUOUS IMPROVEMENT SKILLS**

Team Skills  
Team Communication  
Team Member Differences  
Resolving Team Conflict  
Process Improvement  
Team Problem Solving

**MANUFACTURING SKILLS**

Production Policies and Operating Procedures  
Operating Production Equipment  
Reading Work Orders  
Order Tracking  
Waste Management  
Customer Satisfaction

**BUSINESS SKILLS**

Handling Conflict  
Marketing Solutions  
Roles and Responsibilities  
Dealing with Difficult Customers  
Communicating Change  
Interpersonal Communication  
Resolving Customer Problems  
Meeting Customer Needs  
Customer Communication